



Supplying Green Power in Compliance and Voluntary Markets

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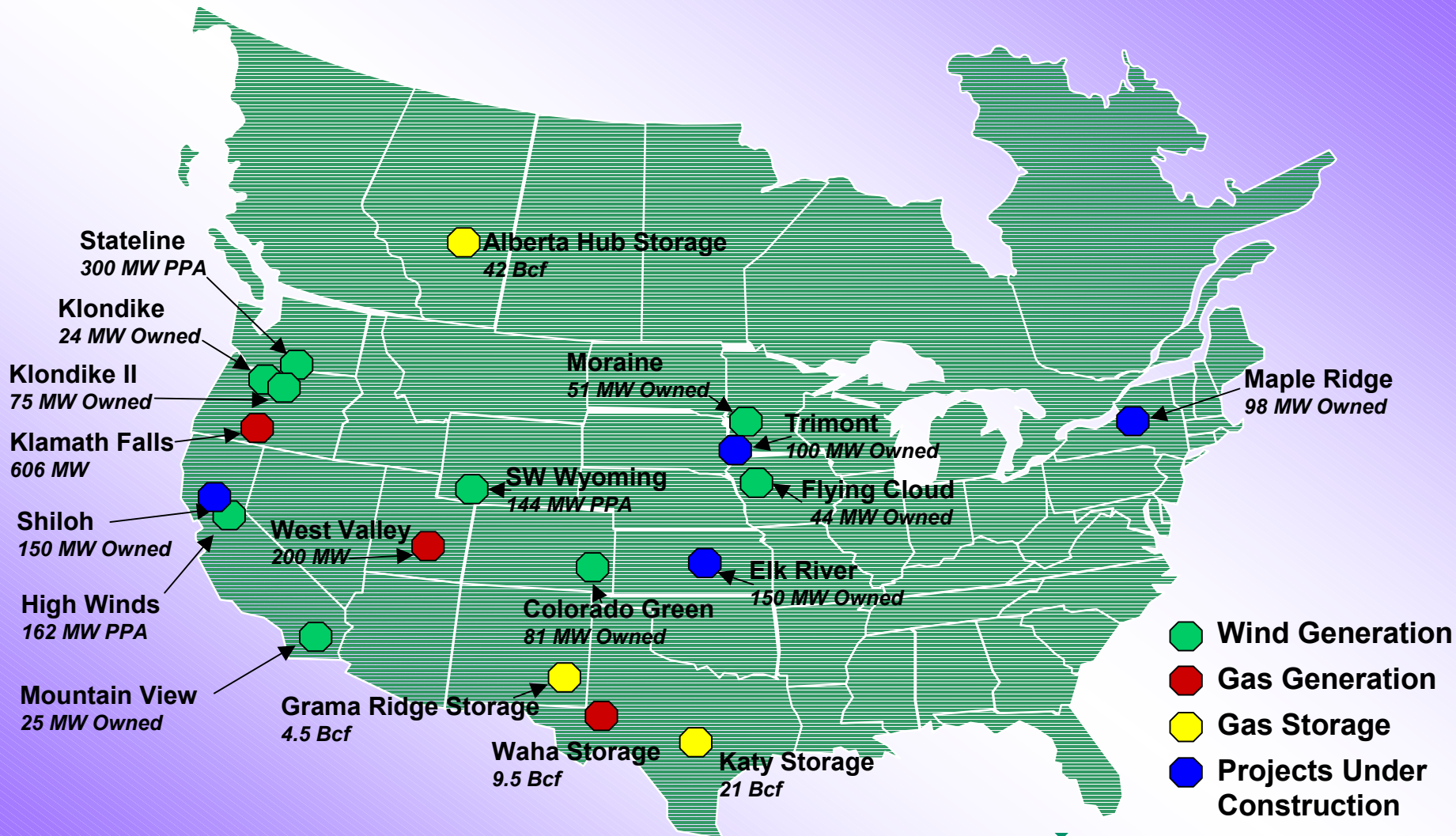
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Introduction to PPM Energy

- Competitive power and gas storage subsidiary of ScottishPower, a \$13 billion* international energy company
- More than 300 employees in US and Canada; headquartered in Portland, Oregon
- Wholesale supplier to utilities under long-term power supply agreements
- PPM has over 1,400 MW of wind power in operation or under construction across the United States
- Goal: Control over 2,300 MW of wind power by 2010
- Largest wind marketer in WECC
- Leveraging a utility/merchant skill set to broaden wind market

PPM Energy's Assets



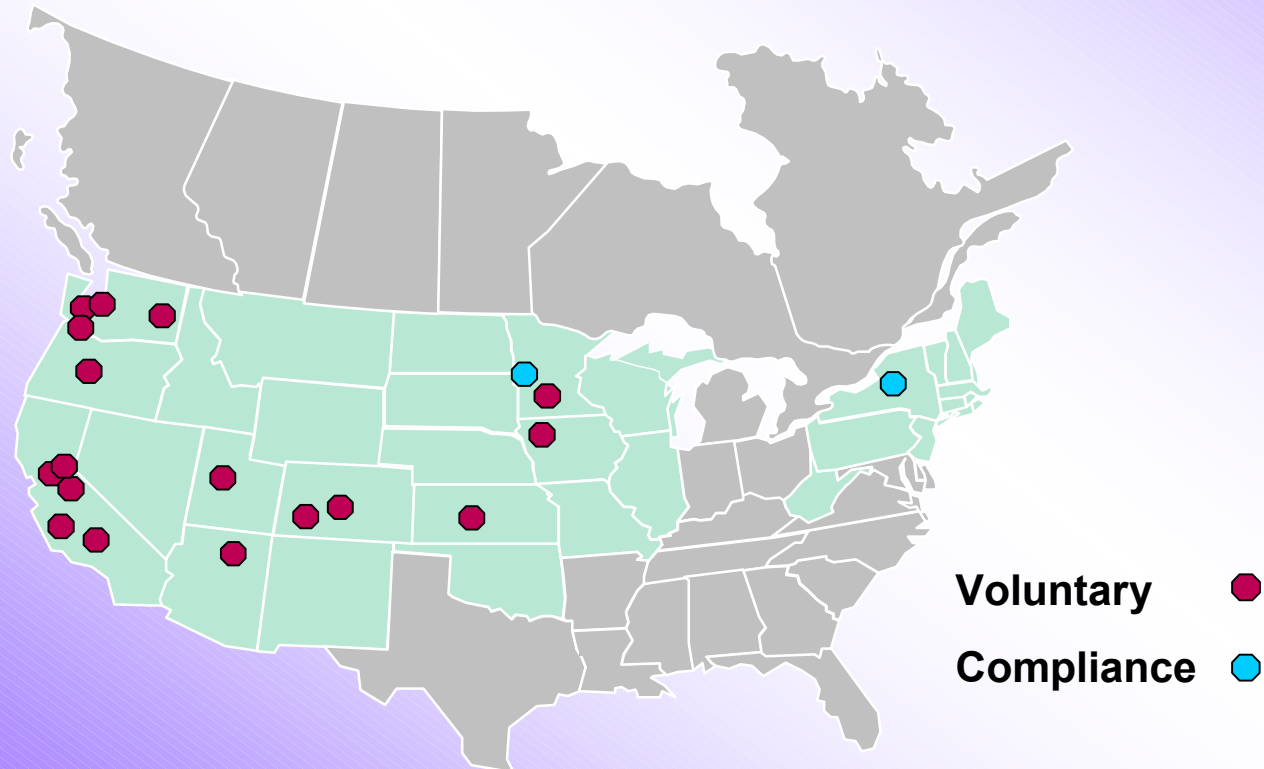
PPM Energy
A ScottishPower Company

New Wind Facilities

Project	Capacity (MW)	Owner	PPM Customers
Trimont <i>Martin County, MN</i>	100	PPM	Great Rivers Energy
Klondike II <i>Wasco, OR</i>	75	PPM	PGE
Elk River <i>Butler County, KS</i>	150	PPM	Empire Electric
Maple Ridge <i>Lewis County, NY</i>	99	PPM	NYSERDA
Shiloh <i>Solano County, CA</i>	150	PPM	PG&E, MID, Palo Alto
Total		574 MW	

PPM Energy and Voluntary vs. Compliance Markets

- PPM is a supplier of renewable energy and RECs across the US
- Active in both voluntary & compliance markets – however the majority of PPM sales historically have been to non-compliance buyers
- Transactions include traditional back-to-back with utilities and municipalities, as well as REC-only to Green Power Marketers



Voluntary REC Market Plays Key Role

■ Past

- Voluntary market started PPM's wind business
 - 1) Green Mountain in CA
 - 2) Stateline Wind Project
 - 3) Majority of the 1,400 MW today sold to non-Compliance buyers
- Supported US wind development, especially outside of Eastern energy markets
 - Northwest: Only voluntary markets
 - CA Municipalities: Outside of state RPS requirements

■ Future

- Voluntary market will continue to play vital role

Benefits of Voluntary Market

- The more channels to sell wind, the more opportunities for the wind developer
- Feasibility of renewable resources more clear to utilities
- More educated consumers asking for these products
- Voluntary markets can lead to growth of Compliance markets
- Certain technologies, such as wind or solar, are allowed to shine in Voluntary Markets

Compliance vs. Voluntary Markets

- Not all RECs created equal in Compliance Markets
 - Varying state requirements
 - Biomass vs. Hydro vs. Wind RECs
- Compliance Market drivers: Rules & Price
 - Politically driven → not only renewable interests at the table
 - Lowest cost REC to meet requirements
- Voluntary Market creates grass roots support
- Voluntary Market a “pure” way to drive wind & retain wind value
 - “Special interest” renewables gain exposure
- Voluntary Markets help ensure all RECs utilized

Future of Voluntary Markets

Must ensure RPS & expansion of Voluntary Markets are compatible

■ Market Supply

- If Supply is less than or equal to demand for Compliance RECs, where will Voluntary RECs come from?
 - New York's expansion of its RPS to 25% by 2013, with a central procurement model, has put pressure on regional renewable supplies
 - Places Voluntary Market in direct competition with the Compliance Market for resources
 - New York still supports Voluntary Market
 - NYSERDA currently reviewing procurement methods and ways to ensure the Voluntary Market continues
 - Similar issues could be faced in other states with Compliance Markets

Future of Voluntary Markets (cont.)

- Market Supply (cont)
 - Potential double-counting of RECs
 - Repeated attempts to count Voluntary Market RECs as part of the supply to meet compliance goals
 - Double-counting threatens the future of Voluntary Market sales as premiums are not perceived to be driving new investment
 - Potential for market fraud
 - » National Association of Attorneys General:
Environmental Marketing Guidelines for Electricity

Other Impacts on Voluntary Markets

- GHG and Cap & Trade
 - Renewable resources need seat at table such that resources receive an allocation of allowances or can participate through set-asides
- Elimination of the PTC
 - Given the uncertain future of the PTC, Voluntary Markets will continue to be important in terms of driving demand for wind

Summary

- Voluntary Markets are an important driver of renewable markets
 - Important part of PPM business and makes sense for wholesale energy market to keep voluntary markets strong
 - Education of utilities, municipalities and consumers
 - Added value for Wholesale Marketers
- Potential problems
 - Limited supply
 - Compliance Markets don't differentiate between technologies
 - Carbon Market impacts
- Ways to protect Voluntary Market
 - Work with policy makers to create synergies between Compliance and Voluntary Markets
 - Education of Wholesale Marketers of the importance of Voluntary Markets